DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

POSTAL RATE AND FEE CHANGES, 1997	)	**Docket No. R97-1**

THE DIRECT MARKETING ASSOCIATION, INC.'S INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS RELATING TO THE POSTAL SERVICE'S SUPPLEMENTAL DIRECT EVIDENCE DIRECTED TO USPS WITNESS DEGEN (DMA/USPS-T12-15-24)

Pursuant to Sections 25 and 26 of the Commission's Rules of Practice, the Direct Marketing Association, Inc. hereby submits the attached interrogatories and requests for production of documents to USPS witness Degen (DMA/USPS-T12-15-24) relating to the Postal Service's supplemental direct evidence. If the designated witness is unable to respond to this interrogatory, we request a response by some other qualified witness.

Respectfully submitted,

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DMA/USPS-T12-15. Please refer to Library Reference LR-H-146, page II-3, Step 2.

a. (1) Individually for each item type and loose shape, how many unique distributing sets did you use to distribute (nonzero) mixed mail costs to subclass/special service? If you used a distributing set based upon direct item tallies across all MODS cost pools (within item type) as a distributing set (because there were no direct tallies within cost pool and item type) for more than one cost pool, count this distributing set as one unique set.

(2) For each item type, how many of the distributing sets identified in subpart (1) distributed mixed mail costs based upon direct item tallies within cost pool?

(3) For each item type, how many of the distributing sets identified in subpart(1) distributed mixed mail costs based upon direct item tallies across cost pools?

(4) Individually for each item type and loose shape, how many distributing sets were unnecessary because there were no mixed mail costs in the distributed set?

(5) Please confirm that if you add the number of distributing sets from subpart (1) across item types and loose shapes, the sum will be the number of distributing sets used to distribute mixed mail costs to subclass. If you cannot confirm, please explain why and provide the number of mixed mail distributing sets.

b. Individually for each unique distributing set identified in subpart (a)(1), please provide in an electronic spreadsheet format:

(1) the name of the cost pool of the mixed mail costs being distributed,

(2) the item type/loose shape,

(3) whether the distributing set is based upon direct tallies within cost pool, direct tallies across cost pools because there were no direct tallies within cost pool, or direct tallies across cost pools for another reason,

(4) the number of top piece rule tallies, the top piece rule tally cost, and the top piece rule volume variable cost in the distributing set,

(5) the number of counted item tallies, the counted item tally cost, and the

counted item volume variable cost in the distributing set,

(6) the number of identical item tallies, the identical item tally cost, and the identical item volume variable cost in the distributing set,

(7) the number of direct piece handling tallies, the direct piece handling tally cost, and the direct piece handling volume variable cost in the distributing set,

(8) the number of uncounted item tallies, the uncounted item tally cost, and the uncounted item volume variable cost in the distributed set,

(9) the number of empty item tallies, the empty item tally cost, and the empty item volume variable cost in the distributed set,

(10) the number of identified container tallies, the identified container tally cost, and the identified container volume variable cost in the distributed set,

(11) the number of unidentified container tallies, the unidentified container tally cost, and the unidentified container volume variable cost in the distributed set, and

(12) the number of empty container tallies, the empty container tally cost, and the empty container volume variable cost in the distributed set.

c. Please provide, in an electronic spreadsheet format, the estimated coefficient of variation and lower and upper 95 percent confidence limits for the costs for each subclass used to develop each distributing set identified in subpart (a)(1). (For example, the distributing set for uncounted/empty letter trays in the letter sorting machine cost pool is direct letter tray costs in that cost pool. For this distributing set, please provide the coefficient of variation and confidence limits for direct letter tray costs by subclass.) Please also provide the formulae used to calculate these statistics, and describe any assumptions necessary in order to apply them.

DMA/USPS-T12-16. Please refer to LR-H-146, page II-3, Step 3.

a. (1) Individually for each container type, how many unique distributing sets did you use to determine the item type/loose shape makeup of unidentified/empty containers? If you used a distributing set consisting of tallies across all MODS cost pools (within container type) as a distributing set for unidentified/empty container costs (because there were no identical or identified container tallies within cost pool and

container type) for more than one cost pool, count the distributing set as one unique set.

(2) For each container type, how many of the sets identified in subpart (1) distributed unidentified/empty container costs based upon tallies within cost pool?

(3) For each container type, how many of the sets identified in subpart (1) distributed unidentified/empty container costs based upon tallies across cost pools?

(4) Individually for each container type, how many distributing sets were unnecessary because there were no unidentified/empty container costs in the distributed set?

(5) Please confirm that if you add the number of distributing sets from subpart (1) across container types, the sum will be the number of distributing sets used to identify the items and loose shapes in unidentified/empty containers. If you can not confirm, explain why and provide the number of distributing sets for identifying the contents of unidentified/empty containers.

b. Individually for each unique distributing set identified in subpart (a)(1), please provide in an electronic spreadsheet format:

(1) the name of the cost pool of the mixed mail costs being distributed,

(2) the container type,

(3) whether the distributing set is based upon tallies within the cost pool, tallies across cost pools because there were no identified or identical container tallies within cost pool, or tallies across cost pools for another reason,

(4) the number of identical container tallies, the identical container tally cost, and the identical container volume variable cost in the distributing set,

(5) the number of identified container tallies, the identified container tally cost, and the identified container volume variable cost in the distributing set,

(6) the number of unidentified container tallies, the unidentified container tally cost, and the unidentified container volume variable cost in the

distributed set, and

(7) the number of empty container tallies, the empty container tally cost, and the empty container volume variable cost in the distributed set.

DMA/USPS-T12-17. Please refer to LR-H-146, Part I, where you describe your method for determining accrued mail processing costs by cost pool. Please provide, in an electronic spreadsheet format, BY 1996 mail processing IOCS tally counts, IOCS tally cost, and volume-variable cost by cost pool and shape (e.g., cards, letters, flats, IPPs, parcels). For tallies with no shape information, please identify these tallies as having no shape information.

DMA/USPS-T12-18. Please refer to LR-H-146, pages I-2 and I-3, where you describe your method for determining accrued cost by cost pool.

a. Is there any reason to believe that clerks and mailhandlers who primarily worked in operations falling into one specific cost pool (as you defined it in your costing methodology) would have been paid more (or less) than clerks and mailhandlers who work primarily in any other cost pool in FY 1996? If so, please explain fully and quantify the percentage difference in salary between employees working in different cost pools.

b. If all clerks and mailhandlers were paid exactly the same salary, would the expected value of the IOCS tally cost for each cost pool be exactly equal to the accrued cost pool cost from the pay data system? If not, please explain fully.

c. Please provide the estimated coefficient of variation and upper and lower 95 percent confidence limits around the IOCS tally costs for each cost pool. Please also provide the formulae used to calculate each statistic, and describe any assumptions necessary in order to apply them.

d. Assume that IOCS tally costs and accrued cost pool costs from the pay data system are exactly the same for every cost pool.

(1) Please confirm that, under this scenario, the volume-variable cost for a tally in a cost pool would be equal to witness Bradley's volume-variability percentage for the cost pool multiplied by the IOCS tally cost for the tally. If not confirmed, please explain fully.

(2) Please confirm that, in your mail processing costing methodology, the volume-variable cost for a tally in a cost pool is not equal to witness Bradley's volume-variability percentage for the cost pool multiplied by the IOCS tally cost for the tally. If not confirmed, please explain fully.

DMA/USPS-T12-19. Please refer to LR-H-146, Part II, which describes your methodology for distributing mail processing costs to subclass.

a. Please disaggregate volume-variable identical item costs by subclass.

b. Please disaggregate volume-variable top-pieced item costs by subclass.

c. Please disaggregate volume-variable counted item costs by subclass.

DMA/USPS-T12-20. Please refer to LR-H-146, Part II, which describes your methodology for distributing mail processing costs to subclass. Please confirm that Attachment 1 properly reflects your methodology for distributing mail processing costs to subclass/special service. If not confirmed, please correct.

DMA/USPS-T12-21. Please refer to LR-H-146, Part II, which describes your methodology for distributing mail processing costs to subclass. Please provide, in electronic spreadsheet format, counts and tally costs of direct item tallies by item type (identifying whether they are identical, top-pieced, or counted), separately for MODS offices, BMCs, and non-MODS offices.

DMA/USPS-T12-22. Please refer to LR-H-146, page II-3.

a. Describe what happens when an IOCS data collector counts an item, indicating how additional tallies (if any) are generated as a result, and how counted item tally costs are distributed to subclasses;

b. Provide, in electronic spreadsheet format, by item type, how many items were counted by IOCS data collectors in FY 1996; and

c. Explain how counted item tallies with mixed mail codes (i.e., activity codes 53xx-54xx) occur and how they are handled in your method of distributing mail processing costs. In doing so, please refer to the relevant portions of the SAS code provided with LR-H-218, if necessary.

DMA/USPS-T12-23. Please refer to LR-H-146, Part II, page 3, where you discuss your methodology for distributing item costs. Please provide definitions for each possible value of the variable F9253B (as described in LR-H-23).

DMA/USPS-T12-24. Please refer to LR-H-146, pages II-11 to II-12 (titled "Programming Processing Tasks").

a. Define "Function 1 mail processing cost pools."

b. Define "Function 4 mail processing cost pools."

c. Indicate whether your statement, "across Function 1 mail processing cost pools," is equivalent to "across all MODS 1&2 Function 1 mail processing cost pools." If not, please explain fully.

d. Indicate whether your statement, "across Function 4 mail processing cost pools," is equivalent to "across all MODS 1&2 Function 4 mail processing cost pools." If not, please explain fully.

Attachment 1. Proposed Method for Distributing Mail Processing Costs to Subclass/Special Service

Tally Type	Distribution Method*
Direct - Tallies where IOCS data collector recorded subclass/special service and shape of mail being handled. **Piece Handlings** - Tallies where data collector observed employee handling single piece of mail. **Counted Items** - Tallies where data collector counted all subclasses and shapes of mail in item (e.g., bundle, tray, con-con, pallet, or sack). **Top-Piece Rule Items** - Tallies where employee was handling nonidentical mail that is loose, in a bundle, or in a tray, and data collector applied top-piece rule. **Identical Items and Containers** - Tallies where employee was handling an item or container (e.g., wiretainer) containing identical mail in terms of subclass and shape.	Distributed to subclass/special service based upon subclass information recorded by IOCS data collector.
Mixed - Class Specific Tallies where employee was observed handling specific class of mail but where the subclass distribution was not recorded.	Distributed to subclass/special service in proportion to direct tallies of same class.
Mixed - Uncounted/Empty Items Tallies where employee was observed handling item containing nonidentical mail, but for which data collector did not record any information regarding the subclasses of mail in the item.	Distributed to subclass/special service in proportion to direct items of same item type (16 item types).
Mixed - Identified Containers Tallies where data collector observed employee handling a container of nonidentical mail, and for which data collector identified the contents (e.g., items and loose shapes) of the container.	(1) Distributed to item type/loose shape based upon identified container contents (21 item types/loose shapes). (2) Distributed to subclass/special service in proportion to direct items of same item type.
Mixed - Unidentified/Empty Containers Tallies where data collector observed employee handling a container of nonidentical mail or an empty container and for which data collector did not identify container contents.	(1) Distributed to item type/loose shape based upon identified container contents for identical/identified containers of same container type (10 container types). (2) Distributed to subclass/special service in proportion to direct items of same item type.
Not Handling Tallies where employee was not handling pieces of mail, items, or containers.	Distributed to subclass/special service in proportion to distribution of all other mail processing costs.

*With a few exceptions, distributions are within cost pool unless there are no direct tallies within the cost pool to be used as distribution key. The other exceptions are listed below:

1. For MODS Platform, all MODS Allied labor cost pools are used to distribute mixed items in containers to subclass/special service.
2. For MODS 1MISC and 1Support, all function 1 cost pools are used to distribute not handling mail costs to subclass/special service.
3. For MODS 1EEQPT (Empty Equipment), all MODS mail processing cost pools are used to distribute not-handling mail costs to subclass/special service.
4. For MODS LDC48OTH, all MODS function 4 cost pools are used to distribute not-handling mail costs to subclass/special service.
5. For BMC Platform, all BMC cost pools are used to distribute mixed item costs to subclass/special service.
6. For Non-MODS cost pools, activity codes 6XXX (except 6521-23) are distributed by IOCS operation code.
7. For several cost pools, not handling mail costs are assigned to subclasses of mail but not types of special services.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with Rule 12 (section 3001.12) of the Postal Rate Commission's Rules of Practice and Procedure and Rule 3 of the Commission's Special Rules of Practice in this proceeding.

Michael D. Bergman

November 12, 1997